

PARALLEL IMPORTATION— INFRINGEMENT OF COPYRIGHT

INTRODUCTION

'Parallel importation' or 'parallel import' in a copyright context is the term used to describe the situation where articles made by or with the authority of a copyright owner in one country are imported into another country in competition with the rights under copyright in a work granted to another person in the country of importation. To give a typical example: An American owner of the copyright in a literary work grants the right to reproduce and publish that work in the United Kingdom to a publisher in that country. It also grants the right to reproduce the work and publish it in South Africa to a South African publisher. Books published by the United Kingdom publisher are imported into South Africa and sold in competition with the books published by the local publisher. In both instances the books in question are produced with the authority of the copyright owner. This situation must be distinguished from what is commonly referred to as 'piracy'. 'Piracy' takes place when a work is reproduced without the authority of the copyright owner. 'Piracy' is generally a straightforward infringement of copyright.

The question with which this article is concerned is: can dealing in South Africa in or with a copy of a work which is a parallel import constitute an act of copyright infringement?

BACKGROUND

Copyright as a proprietary right is international in its scope, at least as far as the developed countries are concerned. There are two international conventions that regulate international copyright, the Universal Copyright Convention of 1952 and the Berne Convention for the Protection of Literary and Artistic Works. South Africa is a member of the latter convention, but not of the former. There are currently some 73 subscribers to or member countries of the Berne Convention.¹ In terms of the Berne Convention, member countries are obliged to grant to the works of other member countries the same protection as they grant to their own works.²

¹ See *Copyright* January 1982 issue, published by the World Intellectual Property Organization (WIPO). South Africa is a signatory to the Berne Convention as revised in Brussels in 1948, and has acceded to that convention.

² See art 5 of the Brussels text of the Berne Convention.

South Africa has given effect to its obligations under the Berne Convention in s 37 of the Copyright Act of 1978³ and a government notice published in the *Government Gazette* by the Minister of Industries, Trade and Commerce on 22 December 1978.⁴ In addition, since the United States of America is not a member of the Berne Convention, South Africa has entered into a bilateral arrangement with that country, in terms of which United States' works are for all practical purposes placed in the same position under our law as works from Berne Convention countries. The relevant government notice was published in the *Government Gazette* on 13 March 1981.⁵

The effect of s 37 of the Copyright Act read together with these government notices is that works made by persons who are citizens of, or who are domiciled or resident in, a Berne Convention country or the United States of America, and works which are first published in a Berne Convention country or the United States of America, enjoy the same protection under our law as is enjoyed by works written by persons who are South African citizens or who are domiciled or resident in South Africa, or that are first published in South Africa. It is important to note that the nature and the scope of the copyright enjoyed by foreign works in South Africa are regulated by and are subject to the conditions laid down in our Copyright Act, and the domestic copyright laws of the countries of origin of the works are irrelevant to the copyright which the works enjoy in South Africa.⁶

Copyright can be assigned or ceded to another person, and licences may be granted under copyright to other persons.⁷ An assignment of copyright can be partial and may be limited so as to apply to only some of the acts that fall within the copyright, or to only a part of the term of the copyright, or to a specified geographical area in which the copyright operates.⁸ A licence under copyright may be limited in the same way.⁹ In other words, a copyright owner can, for instance, assign or license the right to publish his book in hard-cover form in South Africa for a period of ten years to one person, the right to broadcast his work in the English language in South Africa for five years to another person, and the right to publish his book in hard-cover form in the German language in Germany for a period of fifteen years to yet another person, and so forth.

An assignment or cession of copyright must be distinguished from a licence under copyright. When copyright or rights under copyright are assigned or ceded from the copyright owner to another person, the

³ Act 98 of 1978.

⁴ Government Notice R2565 *Government Gazette* 6252 of 22 December 1978.

⁵ See Government Notice R566 *Government Gazette* 7486 of 13 March 1981. In terms of this notice the protection granted to United States' works in South Africa is subject to the limitation that the duration of the protection granted to a United States' work in this country will not exceed the duration of the protection granted to a work of the same type under United States law.

⁶ Save in the case of the duration of the term of copyright enjoyed by works originating from the United States of America. See note 5 above.

⁷ See s 22 of the Copyright Act 98 of 1978.

⁸ See s 22(2) of the Copyright Act 98 of 1978.

⁹ See *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd* 1983 (2) SA 251 (T).

copyright owner transfers proprietary rights to that other person. He divests himself entirely of such rights.¹⁰ On the other hand, the granting of a licence to another person does not transfer real or proprietary rights to that person; it is 'nothing but a permission which would carry with it immunity from proceedings to those who act upon this permission. It is really a dispensation, and nothing more than a dispensation.'¹¹ A licence is therefore nothing but a permission to do something which, were it not for the granting of such permission or dispensation, would have been an infringement of the copyright. Once a part of the copyright in a work has been assigned, that part of the copyright is excised from the copyright as held by the assignor, and if he were thereafter himself to exercise the rights involved without the permission of the assignee or subsequent owner of the rights in question, he would infringe those rights under the copyright. Conversely, where a licence under copyright is granted by a copyright owner, he nevertheless retains the rights involved and can continue to exercise them notwithstanding the granting of the licence. In so doing he may be in breach of contract with the licensee if he has, for instance, granted an exclusive right to the licensee and has undertaken not to use the rights in question himself, but he cannot infringe the rights in question.

In dealing with infringement of copyright, direct or primary acts of copyright infringement must be distinguished from indirect or secondary acts of copyright infringement. Direct acts of copyright infringement are dealt with in s 23(1), read together with ss 6 to 11, of the Copyright Act of 1978, while indirect acts of copyright infringement are dealt with in s 23(2) and (3) of the Copyright Act.

In ss 6 to 11 of the Copyright Act of 1978 various acts in relation to the different categories of works recognized in the Copyright Act are stipulated as being within the monopoly or exclusive domain of the copyright owner of those categories of works. These acts are referred to as 'restricted acts'. Performing a restricted act in relation to a work without the authority of the copyright owner constitutes a direct act of copyright infringement. Knowledge that copyright subsists in a work or that an act being performed in relation to that work is a restricted act is not a requirement for a direct act of copyright infringement, although the lack of knowledge in certain respects may be relevant to the question of damages which can be recovered as a result of an act of direct copyright infringement.

The indirect acts of copyright infringement are set out in s 23(2) and (3) of the Copyright Act of 1978. For the purposes of this article only s 23(2) is relevant. This subsection reads as follows:

¹⁰ See *Kinekor Films (Pty) Ltd v Drive-in Home Movies* 1976 (2) SA 87 (O) and *Kinekor Films (Pty) Ltd v Movie Time* 1976 (1) SA 649 (D).

¹¹ Per Lush J in *British Actors Film Co Ltd v Glover* [1918] 1 KB 299 at 306-7, quoted by A J C Copeling *Copyright Law in South Africa* (1969) 201. See also *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd* 1983 (2) SA 251 (T).

'Without derogating from the generality of subsection (1), copyright shall be infringed by any person who, without the licence of the owner of the copyright and at a time when copyright subsists in a work—

- (a) imports an article into the Republic for a purpose other than for his private and domestic use;
- (b) sells, lets, or by way of trade offers or exposes for sale or hire in the Republic any article; or
- (c) distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright in question is prejudicially affected,

if to his knowledge the making of that article constituted an infringement of that copyright or would have constituted such an infringement if the article had been made in the Republic.'

It is important to note that, as mentioned above, for an indirect act of copyright infringement to take place, 'guilty knowledge' must be proved in the sense of knowledge that a copy of a work with which the defendant is dealing is an infringing copy of that work on his part. This is the important distinction between an act of direct copyright infringement and an act of indirect copyright infringement.

LEGAL PRINCIPLES

As a matter of logic and of fact in terms of the definition of 'parallel importation' given above, parallel importation of copies of a work or dealing in or with parallel imports cannot constitute a direct act of copyright infringement in respect of any of the categories of works protected in the Copyright Act. This becomes evident from a perusal of the restricted acts in respect of the various categories of works stipulated in ss 6 to 11 of the Copyright Act. Parallel importation and dealing in or with parallel imports can come into contention only as indirect infringement of copyright.

In order to constitute an indirect act of copyright infringement the following requirements must be met:

- (a) the article must be an 'infringing copy' of the work in question;¹²
- (b) the defendant must be shown to have knowledge that the article with which he is dealing is an infringing copy; and
- (c) the defendant must be shown to be performing one of the acts set out in paragraphs (a), (b) and (c) of the subsection in relation to the copy of the work.

All the acts of indirect infringement of copyright relate to various dealings with *copies of the work*. As stated above, the first requirement

¹² 'Infringing copy' is defined in s 1(xxii) of the Copyright Act as follows:

"infringing copy", in relation to—

- (a) a literary, musical or artistic work, means a reproduction thereof;
- (b) a sound recording or a substantial part thereof, means a record embodying that recording;
- (c) a cinematograph film, means a copy of the film; and
- (d) a broadcast, means a cinematograph film of it or a copy of a cinematograph film of it or a sound recording of it or a record embodying a sound recording of it or a still photograph or an individual image or a copy of a still photograph,

being in any such case an article the making of which constituted an infringement of the copyright in the work, recording, cinematograph film or broadcast or, in the case of an

for an act in relation to a copy of a work to make it an act of indirect copyright infringement is that the copy must be an infringing copy of that work. Dealing in or with *any copy* of that work is not sufficient—the copy must be an infringing copy. A copy of a work can be an infringing copy in the following two circumstances:

- (i) The making of the copy, that is, the act of reproducing the work, must be an act of direct copyright infringement in the place where the making of the copy or the reproduction of the work was actually undertaken. In other words, the making of the copy or the reproduction of the work must have been undertaken without the direct or indirect authority of the copyright owner.
- (ii) If the copy was not made in South Africa but was made abroad and imported into South Africa, the making of that copy (that is, the reproduction of the work) would have been a direct infringement of the copyright in the work, if the act of reproducing the work had been performed in South Africa. This is a hypothetical test and requires one to postulate that the copy of the work, which has been imported into South Africa, has been made in South Africa and not in the place where it was actually made. It is submitted that in order to apply this hypothetical test and to determine whether the making of that copy would have been an infringement if it had been undertaken in South Africa, one must postulate that the making of the copy was done in South Africa by the person who actually made it overseas. Whether or not the making of a copy of a work is in principle an infringement of copyright depends on the rights under the copyright vested in the person making the copy; and in order to determine whether the making of the contentious copy would have been an infringement of copyright if done in South Africa one must consider the position if that person himself, bearing in mind his rights in regard to the work, was entitled to make the copy in South Africa.

For a copy of a work to fall within the description of a 'parallel import' as set out above, the maker of the copy must be authorized by the copyright owner to make that copy at the place where it was actually made. In other words, I am considering in this article the position of a copy which was legitimately made by the person who made it at the place where it was made, that is, a copy of a work made in the circumstances contemplated in paragraph (ii) above.

The crucial point in regard to the question whether a parallel import can be an infringing copy of a work is the geographical scope of the rights held by the person making the copy. If that person

imported article, would have constituted an infringement of that copyright if the article had been made in the Republic.'

holds, in addition to the right to reproduce the work at the place of actual reproduction, the right to reproduce the work in South Africa, then a copy made by him cannot be an infringing copy for the purposes of South Africa. The reason is that, when the abovementioned hypothetical test is applied and it is considered whether the making of the copy in question would have been an infringement of the copyright in the work if it had been made in South Africa, the conclusion that will be reached is that the making of the work would not be an infringement in these circumstances, for such making would have been authorized by the copyright owner. If, however, on the other hand, the person actually making the copy, although authorized to make it in the actual place of manufacture, does not, in addition, have the right to reproduce the work in South Africa, then when the hypothetical test is applied, it will be found that the making of the copy in South Africa would have been an infringement of the copyright in such work, as that person was not authorized to reproduce the work in South Africa.

As has been pointed out, both an assignment of copyright and a licence under copyright can be limited in geographical area. It is therefore perfectly feasible for a partial assignment of copyright to be made and, for instance, for a publisher in the United Kingdom to acquire ownership of the rights to reproduce a literary work and publish it in the United Kingdom. A licence in favour of a publisher in the United Kingdom can be limited in a similar manner. Books published in the United Kingdom by a publisher having rights for the United Kingdom only, and not for South Africa, would be infringing copies in South Africa. The reproduction of the work (that is, the printing of the books) in South Africa falls outside the scope of the rights of the United Kingdom publisher and is therefore not authorized by the copyright owner. The position would be different if the territory covered by the rights of the United Kingdom publisher included South Africa. In that case the hypothetical reproduction of the work in South Africa by him would not constitute an infringement of copyright, as his act of reproducing the work in South Africa would be authorized by the copyright owner.

The ownership¹³ by a person of the United Kingdom copyright in a work or the holding by him of the right to reproduce and publish a work in the United Kingdom confers no rights on him outside the United Kingdom. He may be the copyright owner or holder for the purposes of that part of the copyright, but that does not entitle him to act in other respects in relation to the work unless he is authorized by the owner of other parts of the copyright—for instance, the South African copyright. Likewise, a licence under the United Kingdom

¹³ The Copyright Act 98 of 1978 speaks of 'the ownership of any copyright' (for instance, in ss 21 and 43) and 'the owner of the copyright' (for instance, in ss 1, 13, 14, 23, 24, 27, 28). Thus those who object to the concept of the ownership of a right will forgive me.

copyright in a work does not entitle the licensee to perform acts which fall within the scope of the South African copyright in the work. A licence is, after all, a dispensation to perform acts that would otherwise be infringements of copyright. A licensee is covered only to the extent that the acts which he performs in relation to the work fall within the scope of the licence or permission granted to him. A licence limited to the United Kingdom does not authorize the licensee to perform any acts in relation to the work in South Africa.

In short, a copy of a work that is imported into South Africa, and more specifically a parallel import as defined above, will be an infringing copy in terms of our Copyright Act if the rights under copyright held by the person who made that copy do not include the right to reproduce the work in South Africa. The fact that the person who made the copy was acting lawfully and with the authority of the copyright owner at the place where the copy was actually made is irrelevant to the question whether or not that copy is an infringing copy in South Africa.

Once it has been established that a copy of a work that is imported into South Africa is an infringing copy, before a person dealing in or with that copy can be said to be infringing the copyright in the work it must be shown that he knew at the time of the commission of the act complained of that the copy was an infringing copy. In the case of a parallel import, proving knowledge of the infringing nature of the copy can be very difficult in practice, for it is in effect necessary to show that the alleged infringer knew that the rights under copyright held by the person who made the copy abroad did not extend to reproducing the work in South Africa. This fact is often stated on the copies of the work. If it is not, it is only in exceptional circumstances that it will be possible to show that a person has such knowledge where he has not been specifically informed as to the position by the copyright owner or other persons having interests in the South African copyright in the work. The most practical way of imparting this knowledge to a person dealing in or with infringing copies of a work is to write him a letter in which the relevant information is conveyed to him. A plaintiff who fails to prove knowledge on the part of the defendant of the infringing nature of copies of a work in or with which he is dealing cannot succeed with a claim of indirect copyright infringement.

The various acts set out in s 23(2) of the Copyright Act that can constitute acts of indirect copyright infringement are reasonably self-explanatory. In broad terms they encompass importing or trading in copies of a work. It should be noted that importation of a copy of a work for the private and domestic use of the person importing the copy is not an act of indirect copyright infringement. In order to constitute an act of indirect copyright infringement, the importation of a copy of a work must be for purposes of trade. Mere distribution

of copies of a work, as distinct from selling or hiring copies of a work, will constitute an act of indirect copyright infringement only if the distribution is to such an extent that the owner of the copyright is prejudicially affected. It is submitted that the purpose of this qualification is to exclude distribution which is to such a limited extent that the de minimis principle would apply. Included amongst the types of prejudice to the copyright owner envisaged would be loss of royalties that would otherwise have been earned by the copyright owner, and the damage to a potential market for the work in South Africa by, for instance, making it unattractive for a prospective South African licensee to accept a licence to reproduce and/or distribute copies of the work because the market for the work has been spoiled by the unauthorized distribution.

Dealing in or with infringing copies of a work with the knowledge that such copies are infringing copies constitutes an indirect act of copyright infringement only if it is not authorized by the copyright owner, that is, the owner of the relevant part of the South African copyright. If the copyright owner should grant permission for dealing in or with the infringing copies of the work, then no infringement of copyright takes place, notwithstanding the presence of the other requirements for an act of indirect copyright infringement.

My conclusion is that dealing in or with a copy of a work that is a parallel import can, in the circumstances described, constitute an indirect infringement of the copyright in that work.

CASE LAW

The above exposition of the legal principles applicable to parallel importation under copyright law represents my analysis of the provisions of s 23(2) of the Copyright Act as these provisions apply to parallel importation and dealing in or with parallel imports of copyrighted works. There have in the recent past been a number of decisions of our courts, particularly in regard to copyright in cinematograph films, that have a bearing on this analysis and in my submission support it.

(a) *Infringing Copies*

In *World Wide Film Distributors (Pty) Ltd v Divisional Commissioner, SA Police, Cape Town and others*¹⁴ the court dealt with an application by an accused in criminal proceedings to set aside a search warrant issued in a criminal investigation in regard to infringement of copyright in cinematograph films. The application to set aside the search warrant was brought on the ground that the search warrant was too general in its scope, as it authorized seizure of 'alle films in verband waarmee geen toestemming tot die verspreiding daarvan gehou word

¹⁴ 1971 (4) SA 312 (C).

nie'.¹⁵ It was contended on behalf of the applicant that since the offence of criminal copyright infringement related solely to 'infringing copies' of films the police were entitled to seize only infringing copies. The provisions of s 22(1) of the Copyright Act of 1965¹⁶ (the predecessor of the Copyright Act of 1978) in regard to dealing in or with copies of works protected by copyright are for practical purposes identical to the provisions of s 23(2) of the Copyright Act of 1978, and in effect an act of indirect copyright infringement also constitutes a criminal offence.¹⁷ This was the position under the Copyright Act of 1965, and is still the position under the Copyright Act of 1978. The court held that for an offence to be committed under s 22(1) of the Copyright Act of 1965, it was essential that the relevant acts set out in that section were performed in respect of 'infringing copies' of cinematograph films. Van Zijl J said:

'We have, therefore, the position that the making for sale or hire, the selling or letting, the exposing for sale or hire, the exhibiting in public by way of trade and so forth, of a film in breach of copyright, is a criminal offence only if the film is an infringing copy. If the film is not an infringing copy and it has been sold or let or exhibited in public and so forth in breach of copyright, no criminal offence has been committed.'¹⁸

The court accordingly set aside the search warrant on the ground that it was too wide in its scope in authorizing the seizure, inter alia, of copies of films whether infringing copies or not.

Although this case is a criminal one, the statements in it on the need for copies in relation to which an alleged infringement has been committed to be infringing copies of works are equally applicable to indirect civil infringements of copyright in terms of s 23(2) of the Copyright Act of 1978, in view of the substantial identity in the wording of that subsection and the wording of the equivalent criminal provisions of the Copyright Act of 1965.

In the case of *Gramophone Co Ltd v Music Machine (Pty) Ltd*¹⁹ the court was required to deal with a claim that the importation or sale of prerecorded sound cassettes made without the authority of the copyright owner in the original sound recordings constituted infringement of copyright in the original sound recordings. The alleged infringing tapes were made in the United States of America without the authority of the copyright owner. The evidence showed, however, that at the time sound recordings did not enjoy copyright

¹⁵ At 315D-E.

¹⁶ Act 63 of 1965.

¹⁷ Section 22(1) of the Copyright Act of 1965 read as follows:

'Any person who at a time when copyright subsists in a work:

- (a) makes for sale or hire; or
- (b) sells or lets for hire, or by way of trade offers or exposes for sale or hire; or
- (c) by way of trade exhibits in public; or
- (d) imports into the Republic otherwise than for his private or domestic use; or
- (e) distributes for purposes of trade or for any other purpose to such an extent that the owner of the copyright is prejudicially affected,

articles which he knows to be infringing copies of the work, shall be guilty of an offence.'

¹⁸ At 315pr-B.

¹⁹ 1973 (3) SA 188 (W).

protection in the United States of America. Consequently, notwithstanding the fact that the alleged infringing tapes were made without the authority of the copyright owner in the United States of America, their making did not constitute an act of copyright infringement. Moll J considered the facts relating to the making, importation and sale of the alleged infringing tapes in the light of s 17(2) and (3) of the Copyright Act of 1965,²⁰ and concluded that

'an infringement takes place if any person without the licence of the owner of the copyright of a sound recording imports a copy of the sound recording into the Republic (otherwise than for his private or domestic use), if to his knowledge either (i) the making of the copy constituted an infringement of the copyright; or (ii) the making of the copy would have constituted an infringement if the copy had been made in the Republic. Even if, therefore, a copy may lawfully have been made in the place where it was made, its importation into the Republic without the licence of the owner of the copyright could constitute an infringement of the copyright in this country. See Halsbury *Laws of England* 3rd ed vol 8 para 782 pp 431, 432, which goes so far as to suggest that, even if the copy was made with the permission of the copyright owner in the place where it was made, it would constitute an infringement to import such copy without the permission of the owner of the copyright in the place where they were so imported.'²¹

The learned judge went on to hold in effect that the alleged infringing tapes made in the United States of America were infringing copies for purposes of South African law, bearing in mind the circumstances under which they were made.

In *Columbia Pictures Industries Incorporated v Videorent Parkmore*²² the court was asked to deal with a case based upon the alleged indirect infringement by the respondent of the applicant's copyright in a cinematograph film or films in the possession of the respondent. The relief sought was founded solely upon the provisions of s 23(2) of the Copyright Act of 1978. Goldstone J stated the issue with which the court was seised as follows: 'The question which thus falls to be decided is whether the applicant has established that: "to his" (ie the respondent's) "knowledge the making of that article constituted an infringement of that copyright, or would have constituted such an infringement, if the article had been made in the Republic".'²³

He held that the words 'or would have constituted such an infringement if the article had been made in the Republic' referred to an imported article not made in South Africa, notwithstanding the difference in wording between s 23(2) of the Copyright Act of 1978 and the equivalent provision in the Copyright Act of 1965, which referred specifically to imported articles. Secondly, the learned judge held that the provisions of copyright legislation in relation to indirect infringement have always related to infringing copy.²⁴

The applicant had contended that the respondent had infringed copyright in that it had no right to be in possession of or distribute the films in question, the exclusive distributor of such films in the

²⁰ The provisions of the Copyright Act of 1965 that dealt with indirect infringement of copyright in sound recordings, and which corresponded to s 23(2) of the Copyright Act of 1978.

²¹ At 198pr-D.

²² 1982 (1) SA 49 (W).

²³ At 51A-B.

²⁴ At 51D-E.

Republic of South Africa being itself. Goldstone J said in this regard:

'In my opinion these allegations do not go any part of the way to establishing knowledge on the part of the respondent that the *making* of the films, if they were made in South Africa, or the *making* of the films, if they were made outside South Africa, constituted or would have constituted an infringement of the copyright of the applicant. Indeed, that fact is not stated, even indirectly, by the applicant. The applicant does not suggest that the copies which were found in the possession of the respondent were in fact infringing copies, let alone that the respondent had knowledge of that fact.'²⁵

The circumstances in which an imported article can be an infringing copy of a work were considered by Goldstone J in *Twentieth Century Fox Film Corporation v Anthony Black Films (Pty) Ltd.*²⁶ In that case, which also dealt with copyright in cinematograph films, the alleged infringing copies of the cinematograph films that had been imported into South Africa had been made in the United Kingdom by a non-exclusive licensee who had been authorized to make reproductions of the cinematograph films in a number of territories, including the United Kingdom and the Republic of South Africa. Having regard to the provisions of s 23(2) of the Copyright Act of 1978, Goldstone J formulated the crucial issue as follows:

'The questions which have thus to be determined are:

- (a) Whether the making of the video cassettes would have constituted an infringement of the first applicant's copyright if they had been made in the Republic, and
- (b) if so, whether the respondent had knowledge thereof.'²⁷

He went on to say:

'For the respondent it is submitted that the making of video cassettes in the Republic would not have constituted an infringement of the first applicant's copyright because the latter had authorized the making thereof by the second applicant in the Republic. In other words, the submission on behalf of the respondent is that, if the actual maker of the imported article could lawfully have made that article in the Republic, then there was no infringement under s 23(2).'²⁸

Goldstone J considered that s 23(2) of the South African Copyright Act of 1978 is substantially identical to s 16(2) of the British Copyright Act of 1956, and discussed the decisions of the British courts in *CBS United Kingdom Ltd v Charmdale Record Distributors Ltd*²⁹ and *Polydor Ltd v Harlequin Record Shop*,³⁰ which dealt with the relevant question under the law of the United Kingdom. He quoted with approval as follows from the judgment of Sir Robert Megarry V-C in the *Polydor* case:³¹

'In considering the second alternative, one starts, therefore, with a making which did not in fact constitute an infringement of copyright. The second alternative then continues by requiring a single hypothesis to be made, namely that, instead of the article being made where it was in fact made, it was made in the country into which

²⁵ At 52C-E.

²⁶ 1982 (3) SA 582 (W).

²⁷ At 589F-G.

²⁸ At 589G-H.

²⁹ [1981] Ch 91, [1980] 2 All ER 807.

³⁰ [1980] FSR 194.

³¹ At 199-200.

it was imported. That is all. The statutory hypothesis is geographical, and nothing more. There is nothing to require any hypothetical alteration in the article, the owner of the copyright, the making, or anything else. . . . The hypothetical must not be allowed to oust the real further than obedience to the statute compels. In my judgment, there is no reason why, in applying the second alternative, it should be assumed or accepted that there is any alteration in the person who in fact made the article. The sole hypothetical change is in the place in which the article is made; there is nothing to change the person who made it.'

The applicant in the *Twentieth Century Fox* case relied on an argument that had been advanced unsuccessfully in both the British cases and which was termed an 'argument of convenience'. The effect of this argument was that the hypothesis which the court must apply in interpreting s 23(2) of the Copyright Act of 1978 must be extended so as to postulate not only the manufacture of the alleged infringing copies in South Africa but also the identity of the manufacturer of the copies being the person who imported them. In other words, it was suggested that the court must postulate that the alleged infringing copies must have been made in South Africa by the importer and not by the actual maker. Goldstone J rejected this argument and, following the approach of the British courts in the two cases, decided that '[i]t is the making of that article in the Republic which is the hypothesis. Why should one introduce into that hypothesis a maker other than the actual maker? To do so would be to do something not embraced by the provision in question. As Megarry V-C pointed out, there is no necessity to extend the hypothesis further than the words used by the legislature necessarily require.'³²

In the final analysis Goldstone J concluded that the importation of the video cassettes in question in the *Twentieth Century Fox* case did not constitute an infringement of the copyright in the relevant films. It is important to appreciate that the learned judge reached his conclusion for the reason that the manufacture of the video cassettes in question would not have been an infringement if they had been made in South Africa by the person who actually made them, because the person held a licence which included South Africa in its territory. The corollary which arises from his reasoning is that if the person who had made the video cassettes had not been licensed to reproduce the cinematograph films in question in South Africa, the video cassettes would have been infringing copies, as in this instance their hypothetical making in South Africa by the person who actually made them would have been unauthorized by the copyright owner and would have constituted an infringement of copyright. A licensee who is authorized to reproduce a work in the United Kingdom infringes the copyright in the work if he reproduces the work outside the geographical scope of his licence. As stated at the outset, a licence is essentially a

³² 1982 (3) SA 582 (W) at 592H-593A.

permission to do something that otherwise would be an infringement of copyright, and if a licensee acts outside the scope of his permission the infringing nature of his act is not excused.

In the subsequent case, also dealing with the indirect infringement of copyright in cinematograph films, *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd*,³³ the court had to deal with alleged infringing copies of cinematograph films which had been imported into South Africa and let out or offered for hire, which alleged infringing copies had been manufactured in the United Kingdom by a licensee whose rights did not include South Africa. In this case the United Kingdom licensee, CIC Video, was licensed to make reproductions of the cinematograph films in question in the United Kingdom and various surrounding territories, but not in South Africa. It was contended by the applicant that the video cassettes dealt with by the respondent were infringing copies of the relevant cinematograph films, as their making in South Africa by CIC Video would have constituted an infringement of copyright in the hypothetical situation that the cassettes had actually been made in South Africa by CIC Video. The respondent denied that the cassettes in question were infringing copies of the cinematograph films.

McCreath J accepted that in letting or offering for hire the relevant video cassettes, the respondent had infringed the copyright in the cinematograph films. The judgment does not deal in detail with the infringing nature of the video cassettes in question, as the emphasis in this case fell not so much on the infringing nature of the video cassettes as on the respondent's knowledge of the fact that the video cassettes were infringing copies. The learned judge dealt with the infringing nature of the video cassettes as follows:

'The infringement by the respondent of the applicant's rights in respect of the said two films, as alleged by the applicant, is that video cassette versions thereof have been imported into the Republic of South Africa and are being offered and exposed for hire, and in fact let, by the respondent to members of the public from the respondent's business premises in Johannesburg. The said cassettes are made for use in the PAL system of television and, so it is alleged, are infringing copies within the meaning of the said term as defined in [the Copyright] Act 98 of 1978, in that, if they had been made in South Africa, would have constituted an infringement of the copyright in the said two films.

'The respondent does not deny that it has imported video cassettes of the two films, for use in the PAL system of television, into the Republic of South Africa and that the said cassettes are let by it from its premises in Johannesburg to members of the public for home viewing. It is also not disputed that neither the applicant nor any of its sub-licensees has granted the respondent permission to carry on a business of this nature. If I am correct in holding that the applicant is the exclusive licensee in the Republic of South Africa of the copyright in the said two films, then the respondent's activities constitute an infringement of the applicant's rights, in terms of s 23(2) of Act 98 of 1978, if the respondent had knowledge thereof as provided in the said section.'³⁴

McCreath J went on to hold that the respondent did have the requisite knowledge of the infringing nature of the cassettes in its possession.

³³ 1983 (2) SA 251 (T).

³⁴ At 261.

It will be clear from this conspectus that our courts have now clearly established the principle that an imported copy of a work made with the authority of the copyright owner in that work (that is, a parallel import) can be an infringing copy in South Africa where the copy of that work was made by a person who does not hold the right to reproduce that work in South Africa, no matter what other rights he may have been granted by the copyright owner.

(b) Knowledge of the Infringing Nature of Copies

The question of knowledge on the part of a respondent that he is dealing in infringing copies has been considered by our courts in a number of cases.

The first relevant decision is *Cine Films (Pty) Ltd v Commissioner of Police*,³⁵ a criminal case. It was concerned with an alleged offence under s 22(1) of the Copyright Act of 1965, committed by the letting of infringing copies of cinematograph films. As pointed out above, the requirements under s 22(1) of the Copyright Act of 1965 for offences of infringement of copyright are substantially identical to the requirements for indirect copyright infringement under s 23(2) of the Copyright Act of 1978. This case dealt with the setting aside of a search warrant in terms of which alleged infringing copies of cinematograph films were seized, on the grounds that the search warrants were issued without justification and that the magistrate had not given proper consideration to the nature or quality of articles which were seizable under it. Counsel for the accused (appellants) contended that a criminal offence can be committed only by a person who knows that the articles with which he is dealing are infringing copies, and that the accused were not so aware and could not therefore be convicted of any offence under the Copyright Act; if the magistrate had properly considered the information placed before him, he would have realized that there was a lack of knowledge on the part of the accused, and as there could be no conviction for an offence there was no justification for the issue of any search warrants. The issuing of the search warrants had been preceded by a letter of demand addressed by the complainants in the case to the accused calling upon them to desist and refrain from any further unlicensed importation into the Republic of South Africa and from any further unlicensed distribution and exhibition in South Africa of the contentious copies of the films in question. The accused had responded to this letter by denying that their activities infringed copyright and at the same time requesting the complainants to furnish certain information relative to their contentions that the films in question were subject to copyright in South Africa. The complainants refused to furnish the information called for by the accused. Counsel for the accused contended, in regard to

³⁵ 1972 (2) SA 254 (A).

the question of knowledge on the part of the accused, that if the information requested by the accused had been furnished to them, it would have enabled them to gain knowledge either that the films in their possession were in law infringing copies or that they were not infringing copies. The accused, relying on the English case of *Van Dusen v Kritz*,³⁶ submitted that an alleged infringer must be given a reasonable opportunity of ascertaining whether the material complained of infringes copyright or not, and that the accused had in this instance not been given such an opportunity before the search warrants were issued. It was thus contended that the accused did not have the requisite knowledge. This argument was countered by counsel for the complainants by a reference to the correspondence which had passed between the complainants and the accused. He argued that such correspondence, together with certain other facts, made it clear that the accused had the necessary knowledge inasmuch as they had been given notice of infringement and had been afforded ample opportunity of gaining the requisite knowledge prior to the issue of the search warrants.

The court found it unnecessary to decide the issue whether or not the accused had the requisite knowledge at the time of the issue of the search warrants, since it had no information at all as to what documents had been placed before the magistrate when the search warrants were applied for. The court held that there were no grounds to justify a conclusion that the magistrate had failed to apply his mind to the particular question or that the search warrants had been issued without justification.

*Gramophone Co Ltd v Music Machine (Pty) Ltd*³⁷ dealt, as has been mentioned, with the indirect infringement of copyright in sound recordings by the importation into and sale in South Africa of tapes made in the United States of America from original sound recordings. After finding that the importation of the tapes into South Africa could, however, constitute an infringement of copyright if it took place without the authority of the copyright owner, provided that the respondents had knowledge of the infringing nature of the tapes in South Africa, the court went on to deal with the question of the requisite knowledge on the part of the respondents. Moll J said:

'As will be seen from an examination of subsecs (2) and (3) of s 17 knowledge on the part of the infringer is a prerequisite. Respondents in their affidavits say that they had no knowledge that copyright subsists in regard to the said cartridges. In an action for damages arising from the infringement of copyright it appears that mere notice to the infringer is not sufficient. A reasonable opportunity must be afforded to enable the infringer to ascertain whether there has in fact been an infringement of copyright. See Copeling *Copyright Law* p 142; *Van Dusen v Kritz*.'³⁸

A later passage in the judgment calls for quotation:

'I propose, however, to examine whether on the papers it can be said that the respondents had knowledge at the time of the importation of the said recordings or alternatively when these proceedings were instituted.

³⁶ [1936] 2 KB 176 at 181.

³⁷ 1973 (3) SA 188 (W).

³⁸ At 198E-F.

'Before proceeding to deal with the facts it is necessary in view of the arguments put forward on behalf of the respondents to determine what is meant by "knowledge" in terms of s 17(2) and (3) of the said Act. In this regard I can find no fault with the submission that it means "notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed". See Halsbury *Laws of England* 3rd ed vol 8 para 782 p 431 footnote (e).

'Knowledge of who the copyright owner is would, therefore, not be necessary. . . .

'It was submitted on behalf of the applicant that no reasonable man in the record business could honestly have believed that recordings by "The Beatles" were not subject to copyright. I do not see sufficient on the papers before me to make such a finding. The fact that the said cartridges which were offered by the said American company were advertised in a publication which I must accept to be a recognized trade directory, seems to me to mitigate against a finding such as I have been asked to make. The matter, in my view, is, on the papers before me, open to doubt.'³⁹

The learned judge examined the facts of the matter and pointed out that the applicant's attorneys had sent a letter of demand to the respondents prior to the institution of the proceedings, although the letter had not indicated exactly which recordings were being complained of nor exactly who the copyright owners were in respect of the particular recordings. He said that he had already mentioned, in regard to the absence of an indication who the copyright owner was, that this was not necessary. On the same day that the letter of demand had been sent, a representative of the applicant had visited the premises of the respondents and had pointed out that the South African copyright in the tapes which they were selling vested in other parties. After receipt of the letter of demand by the respondents, their attorneys undertook to 'investigate the position'.⁴⁰ Notwithstanding this, there was no evidence in the papers to suggest that any real inquiries were made with regard to the copyright in the relevant recordings. Subsequently, another company that had an interest in the contentious sound recordings had obtained an order from the court based on the sound recordings, while the respondents themselves had given an undertaking in respect of the sound recordings to a further third party. Finally, cassettes authorized by the copyright owner contained a clear indication that copyright subsisted in the sound recordings. The learned judge concluded his examination of the question of the knowledge on the part of the respondents by saying:

'Regard being had to the foregoing it seems to me to be clear that the respondents at the commencement of these proceedings had notice of facts such as would suggest to a reasonable man that a breach of copyright was being committed.'⁴¹

The requirement of knowledge on the part of a respondent that the articles in which he is dealing are infringing copies was stated by Goldstone J in both *Columbia Pictures Industries Incorporated v Videorent Parkmore* and *Twentieth Century Fox Film Corporation v Anthony Black Films (Pty) Ltd*,⁴² but was not dealt with further by him, as in both cases the applicant had failed to show that the copies of the cinema-

³⁹ At 207E-208pr.

⁴⁰ At 208C-D.

⁴¹ At 208E-F.

⁴² 1982 (1) SA 49 (W) and 1982 (3) SA 582 (W) respectively.

tograph films that were in issue were indeed infringing copies. In both cases Goldstone J rejected the claims of copyright infringement because the infringing nature of the copies had not been proved, but it is likely that in any event he would also have rejected the applicant's claims on the basis that the requisite knowledge on the part of the respondent had not been shown to exist. It would appear that in neither case had the applicant taken any steps to impart knowledge of the infringing nature of the tapes to the respondent prior to the institution of the proceedings.

In *Paramount Pictures Corporation v Video Parktown North (Pty) Ltd*⁴³ McCreath J relied on the statement by Moll J in the *Gramophone Company Ltd* case that 'knowledge' meant 'notice of facts such as would suggest to a reasonable man that a breach of copyright law was being committed'. In that case the respondent had imported into South Africa and let or offered for hire infringing copies of cinematograph films. The applicant's attorneys had written a letter to the respondent and had informed it that any copies of the applicant's films in its possession were infringing copies and had warned it that if it let or offered for hire such copies, it would infringe copyright and would be liable to civil copyright infringement proceedings at the hands of the applicant. Some three weeks later the applicant had hired or been offered the opportunity of hiring two of its films by the respondent. The court proceedings were instituted some two months after the letter of demand had been addressed to the respondent.

McCreath J⁴⁴ quoted with approval the following passage from A J C Copeling *Copyright and the Act in 1978*:⁴⁵

'It will have been noticed that, in the case of each and every one of the above acts of indirect infringement, it is required that the infringer must have had knowledge that the making of the article in question was itself an infringement of copyright (or, in the event of the article having been imported, would have been so had the article been made in the Republic). Not surprisingly, difficulty is frequently encountered in proving such knowledge. Possibly the most expedient way in which the copyright owner can avoid a plea of ignorance is by giving the alleged infringer, prior to the institution of proceedings, notice of the fact that he is dealing in infringing material. Even so, proceedings cannot be instituted immediately after the giving of such notice. The alleged infringer must first be given a reasonable opportunity of ascertaining whether or not the material complained of in fact constitutes an infringement of copyright.'

The learned judge expressed the view that this passage was in accordance with the dicta of several English cases dealing with similar provisions in the British Copyright Act, specifically *Van Dusen v Krutz*,⁴⁶ *Infabrics Ltd v Jaytex Shirt Co Ltd*⁴⁷ and *Cooper v Whittingham*.⁴⁸ He concluded his discussion of the question of knowledge by saying:

⁴³ 1983 (2) SA 251 (T).

⁴⁴ At 261.

⁴⁵ (1978) para 40 p 56.

⁴⁶ [1936] 2 KB 176.

⁴⁷ [1978] FSR 451 (reversed in part sub nom *Infabrics Ltd v Jaytex Ltd* [1980] Ch 282 (CA), [1980] 2 All ER 669).

⁴⁸ (1880) 15 ChD 501.

'In the present case, prior to the institution of proceedings, the applicant's attorneys did, in fact, by letters addressed to the respondent dated 4 March 1982, inform the respondent that by dealing in video cassette versions of the applicant's cinematograph films in the manner in which it was doing, the respondent was infringing the applicant's copyright. No response was received thereto from the respondent and the respondent continued with its business. Proceedings against the respondent were only instituted towards the end of May 1982. The respondent could have checked the register of copyrights and thereby confirmed that the applicant had rights in respect of the copyright.⁴⁹ Moreover, there is a warning on the cassette that the copyright proprietor has licensed the film contained therein for home use only and that (inter alia) the hiring or renting of the cassette is strictly prohibited. In all these circumstances I am of the view that the respondent had a reasonable opportunity of ascertaining whether its activities constituted an infringement of copyright, and that the requisite knowledge in terms of s 23(2) has therefore been proved.'⁵⁰

(c) *Infringing Acts*

The various acts that constitute acts of indirect infringement of copyright in terms of s 23(2) of the Copyright Act of 1978, for example, importation otherwise than for personal or private use, selling or offering for sale, have not been the subject of discussion in any reported South African cases. It is submitted that, for the major part, s 23(2) is self-explanatory in this regard. Possibly the only one of such acts about which there is any uncertainty is that which is described in s 23(2)(c)—'distributes in the Republic any article for the purposes of trade, or for any other purpose, to such an extent that the owner of the copyright is prejudicially affected'.

It is submitted that the 'prejudice' envisaged in this section would include the loss or potential loss of a market in South Africa for copies of a work arising from the lack of interest or reluctance of South African traders in obtaining a licence to distribute such copies in South Africa because the local market has been saturated by the distribution of infringing articles. In the *Paramount Pictures Corporation* case⁵¹ evidence was adduced that Paramount's overseas sub-licensees had experienced considerable difficulty in appointing a suitable South African licensee for the distribution of video cassettes of Paramount films, on suitable terms, because Paramount's sub-licensees experienced difficulty in assuring prospective South African licensees that they would be given exclusivity in regard to the films in question. This was brought about by the fact that Video Parktown North and other South African traders were selling and/or letting parallel imports of Paramount's films. In my view Paramount Pictures Corporation could have sustained a claim for copyright infringement in terms of s 23(2)(c) in addition to the claim which was made in terms of s 23(2)(b) that the respondent was hiring or offering for hire infringing copies of its films.

⁴⁹ The two cinematograph films with which the case was concerned, *Grease* and *Star Trek—The Motion Picture*, had been registered under the Registration of Copyright in Cinematograph Films Act 62 of 1977.

⁵⁰ At 262.

⁵¹ 1983 (2) SA 251 (T).

CONCLUSION

It is apparent from an analysis of the cases discussed above that the question of indirect infringement of copyright in general, and in particular indirect infringement of copyright through dealing in or with parallel imports, has occasioned considerable difficulty and uncertainty in the past. It is submitted that the question has now been greatly clarified and that the copyright owners can utilize the provisions of s 23(2) of the Copyright Act of 1978 to protect their interests in their works with greater certainty. More specifically, the circumstances in which they can prevent dealings in or with parallel imports of their works ought to be plain to them. Copyright owners who wish to be in a position to prevent dealings in or with parallel imports of their works in South Africa should take care to ensure that the international licensing of their works is properly structured so as to ensure that no producer of copies of their works in a foreign country holds South African reproduction rights.

I made the point earlier that the provisions of the Copyright Act of 1978 relating to indirect infringement of copyright and those relating to copyright infringement as a criminal offence, are for practical purposes identical. An act of indirect copyright infringement, in terms of s 23(2) of the Copyright Act, is invariably a criminal offence in terms of s 27(1) of the Copyright Act. An 'infringing copy' for purposes of civil copyright infringement is equally an 'infringing copy' for purposes of criminal copyright infringement. Consequently, in circumstances where parallel imports are infringing copies a person dealing in or with the articles in question with the knowledge that they are infringing copies commits a criminal offence in terms of s 27(1) of the Copyright Act. In terms of our law of copyright, dealing in or with parallel imports without proper authority can have very serious consequences for traders.

To conclude: While all the cases which to date have dealt with parallel imports and copyright infringement have been concerned with cinematograph films and sound recordings, it must be emphasized that the principles which apply in this respect to these types of works apply equally to all categories of works protected by copyright, such as literary works and artistic works. While copyright owners in respect of cinematograph films and sound recordings have apparently been alive to the remedies available to them under copyright law for combating parallel imports, it appears that copyright owners in respect of other categories of works have not appreciated that copyright can be used as a weapon for combating parallel imports. In fact, copyright is one of the few weapons, if not the only weapon, which can effectively be used to counteract the disruption caused to international marketing and

licensing arrangements by goods authorized for distribution in one market finding their way on to another market for which they were not intended and where their presence is not desired. The value of copyright in international marketing should neither be overlooked nor underestimated.

OWEN H DEAN*

THE MODEST JUDGMENT

'So far as my own judgment is concerned, it is brief and I hope to the point. I agree and have nothing to add': per Comyn J in *Hawkins v Harold A Russett Ltd* [1983] 1 All ER 215 at 218.

LEGAL SENSE AND COMMON SENSE

'Every so often a judge finds his legal sense overwhelmed by common sense. . . . [N]o sooner does he hear the facts than he finds himself thinking "surely this result must be wrong".'

'This is such a case. Surely this young woman deserves a divorce. Her husband's practice of wearing and soiling diapers and rubber pants repulsed her and destroyed her affection for him. His transvestite behaviour caused her great concern for the mental health of her daughter, and humiliated her in front of friends, family and in public. Sexual relations ceased altogether.

'And yet the President Judge in the lower court, who has at least as much common sense, and more legal experience than I, felt obliged to deny a divorce': per Spaeth J in a concurring opinion in *Steinke v Steinke* (1975) 82 ALR 3d 705 at 711 (Superior Court of Pennsylvania).

JUDICIAL CONSOLATION

'The John Radcliffe Hospital [at Oxford] and Professor Turnbull are of the highest standing in their profession but I must not let that deter me from an examination of whether they proceeded with due professional care in the present case. Counsel for the defendants referred to Professor Turnbull's status as "Olympian". My recollection of classical mythology is that the gods on Olympus were no strangers to error. . . .

' . . . There were times in the course of the trial when I felt an attempt was made to blind me with science.

' . . . I hold that the defendants have failed to establish that it was justifiable to perform the operation of anterior colporrhaphy on the plaintiff only four weeks after [she had given] birth. Consequently, there was a breach of the duty of care owed to the plaintiff. . . .

'I regard this as a very serious interference in the enjoyment of life. . . .

'I cannot leave this case without expressing my regret that I have had to spend so long examining the decision of so distinguished a gynaecologist as Professor Turnbull. I trust that what I have had to say in no way tarnishes a great reputation. . . .

'Counsel for the defendants has referred to Professor Turnbull's Olympian reputation. I hope Professor Turnbull will take comfort in the thought that even Apollo, the god of healing, and the father of Aesculapius, had his moments of weakness': per Peter Pain J in *Clark v MacLennan and another* [1983] 1 All ER 416 at 422, 432-3.

* BA LLB (Stell), Attorney of the Supreme Court of South Africa.